



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 110-20 – Regulations Governing the Practice of Pharmacy 18 VAC 110-30 – Regulations Governing Practitioners of the Healing Arts to Sell Controlled Substances Department of Health Professions (DHP), Board of Pharmacy

March 14, 2002

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The proposed regulation increases various fees paid to the Board of Pharmacy by pharmacists, pharmacies, and physicians licensed to sell controlled substances. The purpose of these fee increases is to bring the Board into compliance with the Board's interpretation of § 54.1-113 of the Code of Virginia. Section 54.1-113 requires all regulatory boards under the Department of Health Professions to revise their fee schedules if, after the close of any biennium, there is more than a 10 percent difference between revenues and expenditures. The proposed fee changes are as follows:

Pharmacists

- Application for licensure as a pharmacist will increase from \$50 to \$200 but will now include a wall certificate and up to 15 months of licensure prior to the first renewal;
- Annual renewal of an active license will increase from \$50 to \$100; Annual renewal of an inactive license will increase from \$35 to \$50;

- The penalty for late renewal of a license is raised from \$25 to \$35;
- The delinquent fee associated with reinstatement of a lapsed license (a license not renewed within 60 days following expiration) will increase from \$50 to \$70;
- Reinstatement of a suspended or revoked license will increase from \$300 to \$500;

Other licenses, permits, or facility registrations

- The fee for application, change of ownership, or annual renewal of a permit for a pharmacy, a non-resident pharmacy, a permitted physician, a non-restricted manufacturer, a wholesale distributor, a non-resident wholesale distributor, or a warehouse, will increase from \$200 to \$300;
- The fee for application, change of ownership, or annual renewal of a permit for a restricted manufacturer or a medical equipment supplier will increase from \$150 to \$200;
- The fee for a human society will increase from \$10 to \$20 per year;
- The application fee required to change the pharmacist-in-charge will increase from \$25 to \$50;
- The application fee for a change in location or a remodeling which requires an inspection will increase from \$150 to \$200;
- The penalty for late renewal of a permit or license is raised from \$25 to \$100 for a resident or non-resident pharmacy, a permitted physician, a non-restricted manufacturer, a resident or non-resident wholesale distributor, or a warehouse;
- The penalty for late renewal of a permit or license is raised from \$25 to \$65 for a restricted manufacturer or a medical equipment supplier; and
- The delinquent fee associated with reinstatement of a lapsed permit or license (a permit or license not renewed within 60 days following expiration) will increase from \$50 to \$150.

Controlled substances registration

- Application and annual renewal of a controlled substance registration will increase from \$20 to \$100;
- The penalty for late renewal of a registration is raised from \$10 to \$35;
- The delinquent fee associated with reinstatement of a lapsed controlled substances registration (a registration not renewed within 60 days following expiration) will increase from \$25 to \$35.

Physicians licensed to sell controlled substances

- Reinstatement of a suspended or revoked license will increase from \$300 to \$500;

- Annual renewal of an active license will increase from \$50 to \$100; Annual renewal of an inactive license will increase from \$35 to \$50;
- The penalty for late renewal of a license is raised from \$25 to \$35; and
- The delinquent fee associated with reinstatement of a lapsed license (a license not renewed within 60 days following expiration) will increase from \$50 to \$70.

Miscellaneous fees

- The returned check charge will increase from \$15 to \$25.

Estimated Economic Impact

For the past several years, expenditures of the Board of Pharmacy have exceeded revenue, but surpluses of previous years have delayed the need for a fee increase. By the conclusion of FY02, the carry-over income will be exhausted and, under the current fee structure, the Board of Pharmacy projects a deficit of \$1,618,616 for the 2002-2004 biennium.¹ There has not been a fee increase for licensees under the Board of Pharmacy for 12 years. The level of the proposed fee increases is based on revenue and expenditure projections prepared by DHP for the Board of Pharmacy. The proposed amounts were selected such that projected revenues would be sufficient to cover projected expenditures but would not result in anything more than a modest surplus.

The effect of the new fee schedule will be an increase in application and licensure costs for all for pharmacies and pharmacists licensed in Virginia. Specifically, application and renewal fees paid by licensed pharmacists will increase by approximately \$432,000 per year. According to DHP, the proposed fee increases are necessary to prevent a delay in the performance of or the elimination of investigations and disciplinary proceedings, application processing, and license renewals, a delay that could negatively affect public health and safety and reduce the supply of pharmaceutical services in Virginia.

Although the total increase in compliance costs is substantial, from an individual perspective, these fees represent a very small portion of the total cost of entry into the pharmaceutical profession (e.g., the *total* cost of entry includes all education and training

¹ This figure reflects the difference of the projected FY2002-2004 expenditures (\$3,733,231) and the projected revenue under the current fee structure (\$2,115,065).

expenses). The proposed fee changes, therefore, are unlikely to have a significant effect on the decision of individuals to enter or exit this profession. For this reason, the proposed regulatory changes should have no economic consequences beyond the anticipated increase in licensing costs.

Businesses and Entities Affected

There are currently approximately 9,000 pharmacists, pharmacy interns, and physicians selling controlled substances in their practice licensed by the Board of Pharmacy in Virginia. There are approximately 2,000 pharmacies licensed in Virginia.

Localities Particularly Affected

The proposed fee changes will not affect any particular localities since they apply statewide.

Projected Impact on Employment

Since the application and licensure renewal fees represent a very small portion of the total cost of entry into the pharmaceutical profession, no significant impact on employment in Virginia is expected.

Effects on the Use and Value of Private Property

The proposed fee changes are not expected to have any significant effects on the use and value of private property in Virginia.